

Message Text

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ACTION EA-09

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TO SECSTATE WASHDC 2578

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E.O. 11652: N/A

TAGS: EALR EGEN NZ

SUBJ: CONSUMER PRICE INDEX INCREASE DROPS BELOW THREE PER CENT
FOR DECEMBER QUARTER

REF: WELLINGTON 3766

1. THE DEPARTMENT OF STATISTICS LATEST FIGURES
ON THE CONSUMER PRICE INDEX (CPI) FOR THE LAST QUARTER
OF 1976 SHOW A RISE OF 2.8 PER CENT. THIS MEANS THAT
THE RATE OF INCREASE IN THE CPI HAS DECLINED FOR THE
THIRD STRAIGHT QUARTER. IN THE SEPTEMBER QUARTER IT
ROSE 3.2 PER CENT AND IN THE JUNE QUARTER IT ROSE 4.5
PER CENT (AFTER RISING 4.4 PER CENT IN THE MARCH QUARTER).

2. THE DECEMBER 1976 QUARTER RETAILS PRICES ROSE 15.6
PER CENT ABOVE THOSE OF THE DECEMBER 1975 QUARTER; WHICH
IN TURN WAS 15.7 PER CENT ABOVE THE DECEMBER 1974
QUARTER. (THE SEPTEMBER 1976 QUARTER PRICES
ROSE 17.2 PER CENT ABOVE THE CORRESPONDING YEAR EARLIER QUARTER
AND THE RISE BETWEEN THE JUNE QUARTERS OF THE TWO YEARS
WAS 17.7 PER CENT)
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3. THE GROUPS CONTRIBUTING MOST SIGNIFICANTLY
TO THE INCREASE IN THE QUARTER WERE HOUSING, CONTRIBUTING
24 PER CENT TO THE CHANGE BETWEEN THE THIRD AND FOURTH
QUARTERS OF 1976; FOODS CONTRIBUTING 19.7 PER CENT;
AND APPAREL, 18.2 PER CENT.

4. BETWEEN THE SEPTEMBER AND DECEMBER QUARTERS APPAREL PRICES INCREASED 6.1 PER CENT, FOODS 3.1 PER CENT, HOUSING 2.5 PER CENT, HOUSEHOLD OPERATION (INCLUDING LIGHTS AND FUEL) 1.9 PER CENT AND TRANSPORTATION 1.4 PER CENT. THE INCREASES OF THESE SAME GROUPS OVER THE DECEMBER 1975 QUARTER WERE RESPECTIVELY 15.5 PER CENT, 16.8 PER CENT, 9.9 PER CENT, 20.9 PER CENT AND 17.7 PER CENT.

5. LAST SEPTEMBER PRIME MINISTER MULDOON PREDICTED THAT THE CPI RATE OF INCREASE FOR 1976 WOULD BE 14.5 PER CENT. IN THE EARLY PART OF 1976 THERE WERE LARGE INCREASES IN THE PRICES OF MANY CONSUMER ITEMS SUCH AS MILK, BREAD, ELECTRICITY AND TRANSPORT FARES AS THE GOVERNMENT REMOVED OR REDUCED CONSUMER SUBSIDIES. MR MULDOON, IN SHOWING SOME DISAPPOINTMENT SAID HE HAD EXPEDITED THE DECEMBER QUARTER INCREASE TO BE BETWEEN TWO AND 2.5 PER CENT. HE PREDICTED AN INCREASE OF ABOUT THREE PER CENT FOR THE FIRST QUARTER OF 1977.

6. THE PRESIDENT OF THE FEDERATION OF LABOR (FOL) SIR TOM SKINNER, ON LEARNING OF THE LATEST CPI INCREASE, SAID THAT THIS WAS ABOUT WHAT HE EXPECTED. HE ACKNOWLEDGED THAT THE GOVERNMENT'S PRICE CONTROL POLICIES HAD HAD SOME EFFECT IN THE SECOND HALF OF 1976. HE SAID THE FOL WILL DEMAND STRONGER GOVERNMENT ACTION TO CONTROL PRICES. WHEN THE GOVERNMENT PRICE AND RENT CONTROLS ENDED ON UNCLASSIFIED

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DECEMBER 31, 1976, THE PRICES OF SEVERAL ITEMS STARTED TO SHOW INCREASES. SIR TOM SAID THE FOL WOULD BE APPLYING FOR A GENERAL WAGE INCREASE OF ABOUT 12 PER CENT WHEN THE REVISED APPLICATION FOR A GENERAL WAGE ORDER WAS HEARD BY THE WAGE TRIBUNAL ON JANUARY 21. SELDEN

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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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